

# Nebraska Sales and Use Tax

# General Information 2014

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This PowerPoint handout is used for training purposes in conjunction with the oral presentation given by Departmental training staff.

It is not intended to be a stand-alone document.

It is not an information guide, nor does it carry regulatory or statutory authority.

Nebraska tax statutes, regulations, information guides, and other resources are available at <u>revenue.nebraska.gov</u>.

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The payment threshold is lowered annually.

**E-filing and Payment Mandates** 

• July 1, 2013 \$ 9,000 • July 1, 2014 \$ 8,000

• July 1, 2015 \$ 7,000

Any businesses with multiple locations that have been granted permission to file "combined" sales tax returns must e-file.

For more detailed information on e-file and e-pay requirements, see our <u>website</u>.

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# Property Assessment Notice Services Tax December Texpured Reports Research Reports Sales Tax Stafe Forder Tax Canedar Tax Sprayer Education Texpured Tax Canedar Tax Preparers Tax Preparers Tax Preparers Tax Preparers Tax Preparers Tax Preparers Texpured Texpured Tax Sprayer Education Texpured Texpured Texpured Tax Constraints Texpured Texpured

#### Today's Agenda

- Nebraska Sales Tax
- Sales Tax is Calculated on Gross Receipts
- Delivery Location and the Local Sales Tax
- Collecting, Documenting, and Reporting Sales Tax
- Nebraska e-pay
- What is Use Tax?
- Other Tax Information

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#### **Nebraska Sales Tax**

For more information, see the Sales and Use Tax Regulations on our website.

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Nebraska Sales Tax

#### Sales tax is...

- ... a transactional tax,
- ... based on the transaction,
- ... rather than the item sold.

#### A sale is...

- ... the transfer of title or possession,
- ... of an item or taxable service,
- ... for consideration.

Where the item or service is delivered determines the local sales tax rate and to whom the tax is due.

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Nebraska Sales Tax (continued)

# A lease or rental of tangible personal property...

- ...can be a sale,
- ...if there is transfer of possession.

Sales tax is due on each lease or rental payment.

General STX 2014 - 11 Nebraska Sales Tax (continued)

#### All sellers...

- ...are the consumers of anything they use to sell their items and services; and
- ...must pay tax on them.

Example 1. Cash registers

Example 2. Security services

Nebraska Sales Tax (continued)

#### **Taxable Services**

- · Animal specialty services
- Building cleaning
- · Computer software training
- Detective services
- Installing/applying tangible personal property
- Motor vehicle towing, washing/waxing, painting
- Pest control services
- Recreational vehicle (RV) park services
- Security services
- Repair labor (with 5 exceptions see slide 55)

For a more complete list of taxable and nontaxable services, see the Nebraska and Local Sales Tax Information Guide on our website.

General STX

Nebraska Sales Tax (continued)

#### All service providers...

- ...are the consumers of the taxable items and services used to provide the service; and
- ...must pay tax on those items or services (even if the charge for the service is also taxable).

Example 1: The carwash does not sell soap and wax, but a "car wash."

Example 2: A window cleaner is not selling window cleaning solution, but "clean windows."

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Nebraska Sales Tax (continued)

#### **Collecting Sales Tax**

- Collected by the seller as an agent for the State
- Held in trust for the State of Nebraska
- Must have a sales tax permit
- Collection fee

Nebraska Sales Tax (continued)

# Sales Tax is Calculated on Gross Receipts

#### Gross receipts...

...means the total amount of a sale or lease for a consideration.

Sales tax is calculated on the gross receipts of the sales transaction.

For more information, see Reg-1-007 - Gross Receipts Defined.

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**Delivery Location and Tax Rate** 

# Delivery Location and the Local Sales Tax

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eneral STX

# The delivery location determines the Local Sales Tax.

- The delivery location is where the purchaser picks up the item or where he/she takes possession of it.
- The local sales tax rate depends on whether the delivery location is inside or outside city limits.
- When delivery is outside Nebraska, contact the other state.

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**Delivery Location and Tax Rate (continued)** 

#### **Local Sales Tax Increase**

Neb. Rev. Stat. § 77-27,142

- A municipality, except Omaha, may impose a local sales tax of 1.75% or 2% if the rate increase is approved by at least 70% of the municipality's governing body and by a vote of the voters residing in the municipality.
- For further information, contact Karen Barrett at 402-471-5980.

Sales Tax Rate Finder

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### Collecting, Documenting, and Reporting Sales Tax

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Collecting, Documenting, and Reporting Sales Tax

#### The Bottom Line for Sales Tax

- All sales transactions are presumed taxable.
- Sales tax must be separately stated (with 4 exceptions).

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#### The Bottom Line for Sales Tax

Sellers must collect sales tax or document why they did not.

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Collecting, Documenting, and Reporting Sales Tax (continued)

#### **Documenting Exempt Sales**

- Form 13
- Sellers keep completed copies of Form 13.
- A "blanket" form is valid until it is revoked in writing by the purchaser.

General STX 2014 - 23 Collecting, Documenting, and Reporting Sales Tax (continued)

#### **Documenting Exempt Sales**

Nebraska Resale Certificate **Form 13**, Section A

- Purchases for resale
- Items that become a component part of a product to be sold

Collecting, Documenting, and Reporting Sales Tax (continued					
Form 13, Section A					
Nebraska Resale or Exempt Sale Certificate FORM To Sales Tax Exemption REVENUE Read instructions on reverse sidesee note below RESET FORM 13					
NAME AND MAILING ADDRESS OF PURCHASER	NAME AND MAILING ADDRESS OF SE	LLER			
Name	Name				
Street or Other Mailing Address	Street or Other Mailing Address				
City State Zip Code	City State	Zip Code			
Thereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason:  Check One Purchase for Resale (Complete Section A) Exempt Purchase (Complete Section B) Contractor (Complete Section C)					
SECTION A — Nebraska Resale Certificate					
Description of them or Service Purchased  Thereby certify that the purchase, lease, or rental of from the above seller is exempt from the Nebraska sales tax as a purchase for resale, rental, or lease in the normal course of our business, either in the form or condition in which purchased, or as an ingredient or component part of other property to be resold.					
I further certify that we are engaged in business as a: Wh Of Description of Product Sold, Leased, or Rented	olesaler Retailer Manufacturer Lessor				
and hold Nebraska Sales Tax Permit Number 01-	If None, State Reason				
or Foreign State Sales Tax Number	State				
For more detailed information,	refer to the Form 13 instructions.	General STX 2014 - 25			

Collecting, Documenting, and Reporting Sales Tax (continued)

# Nebraska Exempt Sale Certificate Form 13, Section B

- Specific governmental units
  - o Governmental Entities Information guide
  - o Reg-1-012C Entity-based exemptions
- Certain exempt organizations
  - o Nonprofits Information guide
  - o Nonprofits PowerPoint slides
  - o Reg-1-090 Nonprofit organizations
  - o Reg-1-091 Religious organizations
  - o Reg-1-092 Educational institutions

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more...

Collecting, Documenting, and Reporting Sales Tax (continued)

#### Form 13, Section B

- Qualified manufacturing machinery and equipment (MME)
  - o MME Information guide
  - o MME PowerPoint slides
  - Reg-1-107 MME Exemption
- Vehicles and parts for vehicles used by a common or contract carrier
  - o Common or Contract Carrier Information guide
  - o Reg-1-069 Common & Contract Carriers

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more...

Collecting, Documenting, and Reporting Sales Tax (continued)

#### Form 13, Section B

- Qualified commercial agricultural machinery and equipment (ag exemption)
- <u>Ag</u> Information guide
- o Agri-business PowerPoint slides
- o Reg-1-094 Ag machinery & equipment refund
- Occasional sales (This exemption is very limited in scope!)
  - o Reg-1-022 Occasional sales

Collecting, Documenting, and Reporting Sales Tax (continued					
Form 13, Section B					
Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption RESET FORM 13					
NAME AND MAILING ADDRESS OF PURCHASER	NAME AND MAILING ADDRESS OF SELLER				
Name	Name				
Street or Other Mailing Address	Street or Other Mailing Address				
City State Zip Code	City State Zip Code				
	purchaser is exempt from the Nebraska sales tax for the following reason:  ppt Purchase (Complete Section B)				
SECTION B—Nebrask	ka Exempt Sale Certificate				
The basis for this exemption is exemption category (Insert appropriate category as described on reverse of this form.)					
If exemption category 2 or 5 is claimed, enter the following inform	If exemption category 2 or 5 is claimed, enter the following information:				
Description of Item(s) Purchased Intended Use of Item(s) Purchased					
If exemption categories 3 or 4 are claimed, enter the Nebraska Exemption Certificate number. 05- If exemption category 6 is claimed, seller must enter the following information and sign this form below:					
Description of Item(s) Sold Date of Seller's Original Purchase Was Tax Paid when Purchased by Seller? Was Item Depreciable?					
Date of Seller's Util	□YES □ NO □YES □ NO				
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For more information, see Form 13 instructions.					

Collecting, Documenting, and Reporting Sales Tax (continued)

#### Nebraska Form 13

#### **Errors**

- Seller accepts other state's form
- Incomplete or inaccurate
  - o Completed with inaccurate information
  - o Business entity type has changed, form is not valid

#### Things to consider

- Put process in place that makes sense for your business
- When accepting the Form 13, check for errors or omissions on the form
- Evaluate form storage system
  - o Be sure you can locate forms upon request
  - o Digital storage is acceptable

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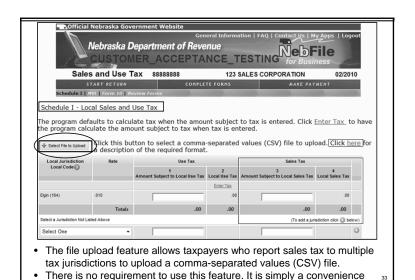
Collecting, Documenting, and Reporting Sales Tax (contemporary Form 13, Section C —					
For Contractors Only  Nebraska Resale or Exempt Sale Certificate FORM					
Nebraska Department of REVENUE		for Sales Ta	x Exemption	RESET FORM	13
112121102	Rea  ID MAILING ADDRESS OF PURC		everse side/see note below 🗀	AILING ADDRESS OF SE	
Name			Name		
Street or Other Mailing Address		Street or Other Mailing Address			
City	State	Zip Code	City	State	Zip Code
Single Purchase   Blanker If blanker is checked, this certificities is valid until revoked in writing by the purchaser.  I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebrasia tales tax for the following reason:  Check One   Purchase for Resule (Complete Section A)   Exempt Purchase (Complete Section B)   Contractor (Complete Section C)					
	SE	CTION C—Fo	r Contractors Only		
As an Option 1 or	Iding Materials or Fixtures: Option 3 contractor, I hereby cert My Nebraska Sales or Consume			s from the above seller ar	e exempt from
2. Purchases Made	Under Purchasing Agent Ap	pointment on bel	half of		
	ched Purchasing Agent Appoints		of Authority for Sales and Use	(exempt entity) Tax, Form 17, I hereby o	ertify that purchases
	a seminar just fo class, request th	_			

Collecting, Documenting, and Reporting Sales Tax (continued)

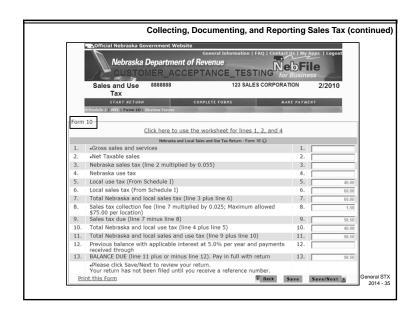
#### **Reporting Sales Tax**

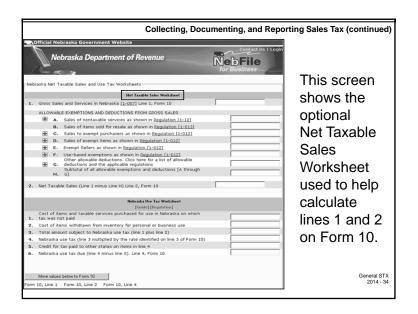
- <u>E-file</u> a Form 10.
- For e-file instructions, please go to the Department's <u>website</u>.
- A return must be filed even if there are no sales to report.

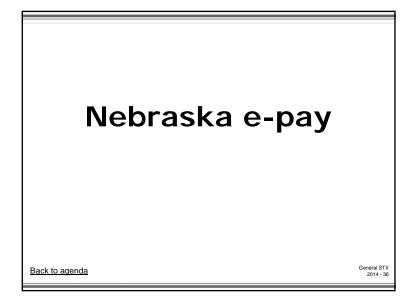
2014 - 3

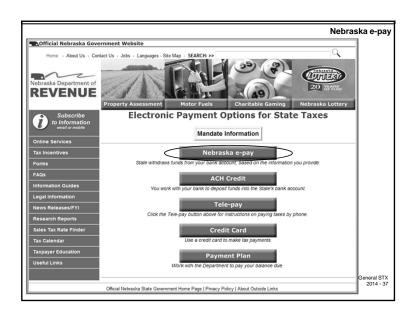


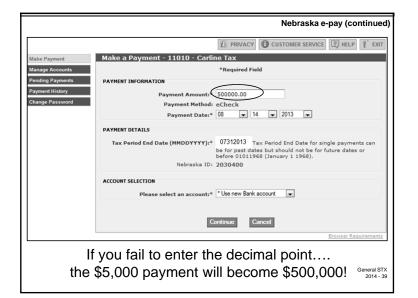
some filers may choose. See "Click here" for more information.

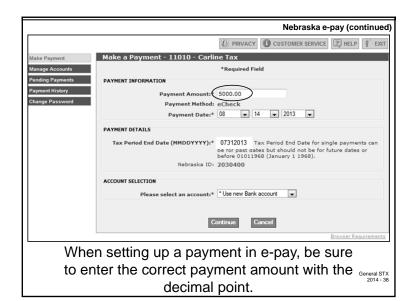


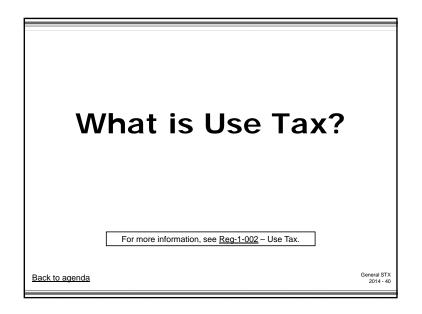












Use Ta:

#### What is Use Tax?

- Use tax is due when Nebraska sales tax has not been paid on a taxable item or service purchased for use in Nebraska.
- Sales and use tax are not both due on the same transaction.
- The big difference is who remits the tax -
  - Sales tax is collected and remitted by the seller.
  - Use tax is paid directly to the Department by the purchaser/consumer.

General STX 2014 - 41 Use Tax (continued)

# **Use Tax and Sales Tax Have These Things in Common –**

- They are imposed on the same transactions.
- They have the same exemptions.
- They are calculated at the same rate.
  - o Where delivery occurs; or
  - o Where first usage in Nebraska takes place.

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Use Tax (continued)

#### When Use Tax is Due

- Use tax is often due when purchases are made from an out-of-state seller
  - o Internet, catalog, mail order
  - o Magazines and journals by subscription
- Use tax is due when the business withdraws tax-free inventory for business or personal use (including donations)
  - o Auto mechanic
  - o Hair salon

Note: Be sure to maintain good records!

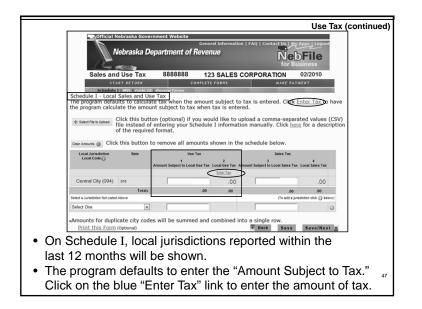
General STX 2014 - 43 Use Tax (continued)

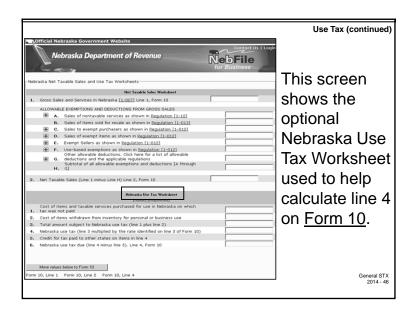
#### **Reporting Use Tax**

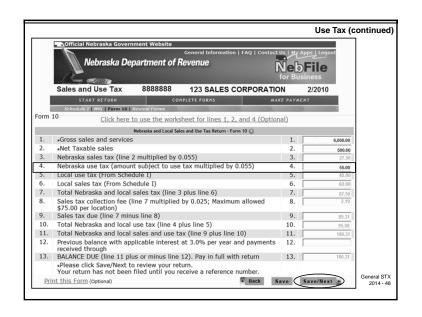
- Businesses report use tax on:
  - o Form 10; or
  - o Form 2.
- Individuals report use tax on:
  - o Form 3;
  - o Form 1040N; or
  - o Form 2 (only if claiming credit for tax paid to another state).

Note: Do not use Form 1040XN to make changes to individual use tax filings.

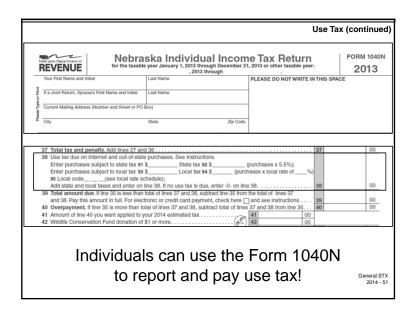
Businesses that hold a Nebraska Sales and Use Tax Permit, must use Form 10.

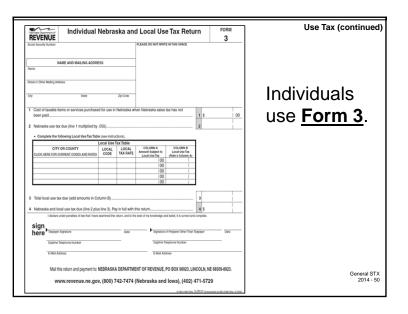






REVENUE Business Nebraska and	d Local Use Tax Return 2	Use Tax (continued)
Nebraska ID Number Tax Period	PLEASE DO NOT WRITE IN THIS SPACE	-
NAME AND LOCATION ADDRESS Name Doing Business As (8te)	NAME AND MAILING ADDRESS	]
Legal Name Street Address (Co Not Use PO Box)	Street or Other Mailing Address	
City State Ze-Code	City State Zip Code	_
Cost of taxable items or services purchased for use in Nebraska with paid. (Include the cost of items withdrawn from inventory for use.)     Nebraska use tax due (line 1 multiplied by .055)	nen Nebraska salies tax has not been 1 S 0	Businesses
Complete the following Local Use Tax Table (see instructions).	2	
CORD USE TAX Table CITY OR COUNTY LOCAL LOCAL CLICK HERE FOR CUMMENT CODES AND RATES LOCAL TAX RATE	COLUMN A COLUMN B Annoest Subject to Louis Tax Does to the State  (Subject Schools State  (Subject Sch	use <u>Form 2</u> if they do not
Total local use tax due (add amounts in Column 8) Total Nobraska and local use taxes due (line 2 plus line 3). Crod the trax properly paid to other states and taxing jurisdictions of the line in th	3   4   5   6   7   7   7   7   7   7   7   7   7	hold a sales tax permit.
Check this box if your payment is being made by Electronic  8 BALANCE DUE (line 6 plus or minus line 7), Pay in full with this retu- 1 declare under penates of law that I have examined this return, is  sign here > Autorious Signature Date  Date  Date		
Title Oxydene Biosphore  E-Mail Address  THIS RETURN IS DUE ON OR BEFORE THE 25 <sup>th</sup> QAY OF THE  Mail this return and payment to NEBRASKA DEPARTM  WWW.Fevenue.ne.gov, (800) 742-1	E-Mail Address  MONTH FOLLOWING THE TAX PERIOD INDICATED ABOVE.  ENT OF REVENUE, PO BOX 99923, LINCOLN, NE 68599-9923.	





#### **Summary of Sales Tax**

- Nebraska Sales Tax
- Sales Tax is Calculated on Gross Receipts
- Delivery Location and the Local Sales Tax
- Collecting, Documenting, and Reporting Sales Tax
- Nebraska e-pay
- What is Use Tax?

#### Other Tax Information

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#### Other Tax Information

- Labor Charges Associated with Personal Property (Reg-1-082)
- Gross Receipts (Reg-1-007)
- Prepaid Wireless Surcharge (Department Web Page)
- Containers (Reg-1-043)
- Software and Digital Goods and Services (<u>Reg-1-088</u>)
- Manufacturing Machinery and Equipment (MME) (Reg-1-107)
- Agricultural Machinery and Equipment (Reg-1-094)
- Certificate of Clearance (Neb. Rev. Stat. § 77-2707)
- Why Would We Audit You? (Department Web Page)
- Records (Reg-1-008)
- Graffiti Cleanup of Real Property (Reg-1-098)

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Other Tax Information - Labor Charges

# Labor Charges Associated with Personal Property

- Taxable
  - o Production and assembly labor
  - Installation and repair labor when the item is taxable
- Exempt
  - o Installation labor when the item is exempt
  - o Repair labor (see the next slide)

For more information, see <u>Reg-1-082</u> – Labor Charges.

General STX 2014 - 55 Other Tax Information - Labor Charges (continued)

#### **Exempt Repair Labor Charges**

- Licensable motor vehicle
- Agricultural machinery and equipment used in commercial agriculture
- Qualifying prosthetic devices and durable medical equipment (Form 13 required)
- Mobility-enhancing equipment (Form 13ME required)
- Qualified MME (Form 13 required)

Back to Taxable Services - Slide 13

Other Tax Information - Gross Receipts

#### **Gross Receipts**

Four exceptions to separately stating sales tax:

- Admissions
- Alcohol by-the-drink
- Concessions
- Vending machines

For more information, see <u>Reg-1-007</u> – Gross Receipts Defined.

General STX 2014 - 57 Other Tax Information - Gross Receipts (continued)

#### Example:

You charge your customer \$10 for a pitcher of beer in a city with a 1.5% local sales tax.

The customer's bill would show:
Pitcher of beer \$10

To determine gross receipts and the amount of sales tax:

- Divide \$10 by 1.07 (1 plus the total state and local sales tax rate). The gross receipts is \$9.35.
- Subtract \$9.35 from \$10 to get \$0.65, which is the tax.

Gross receipts (sales price) =\$9.35 State and local sales tax = \$0.65

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Other Tax Information - Gross Receipts (continued)

#### **Delivery Charges**

Delivery charges are taxable when:

- the buyer pays the seller for the delivery charge and
- the transaction is taxable.

Delivery charges are taxable regardless of the method of delivery.

General STX 2014 - 59 Other Tax Information – Gross Receipts (continued)

#### **Delivery Charges**

If you owe use tax on a purchase, you also owe use tax on any delivery charge paid to the seller as part of that purchase.

Other Tax Information - Gross Receipts (continued)

#### **Tips and Gratuities**

- Discretionary (nontaxable)
- Mandatory (taxable)

General STX 2014 - 61 Other Tax Information - Prepaid Wireless Surcharge

#### **Prepaid Wireless Surcharge**

#### Example:

Sale of a prepaid mobile phone with 500 minutes of prepaid wireless service

Phone \$50.00
Prepaid wireless surcharge (\$50 X 1%) .50
Sales tax (\$50 X 7%) \_\_+3.50
Total \$54.00

For more information, see **Department Web Page** 

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Other Tax Information - Containers

#### **Containers**

There are two types:

- Returnable
- o Taxable to the person who will place contents into them.
- Nonreturnable
  - Nontaxable when the person will fill the container and sell the contents with the container.

For more information, see <u>Reg-1-043</u> – Containers.

General STX 2014 - 63 Other Tax Information – Software and Digital Goods & Services

# Software and Digital Goods & Services

**Taxable Examples** 

Software/software installation

- Tangible medium
- · Internet transferred software
- Software training/re-training by the seller
- Maintenance agreements with updates

#### Digital goods

- · Electronic books and book clubs
- Downloading songs & ringtones
- Movies, music videos, & TV shows

#### Services

 Virus protection software, monitoring services, security services, and testing

Other Tax Information - Software & Digital Goods & Services (continued)

# Software and Digital Goods & Services

#### Nontaxable Examples

#### Software/software installation

- Cloud computing
- Accessing web-based applications (no code necessary)
- · Access codes for online subscription services

#### Digital goods

- · Web design without license transfer
- Electronically-transferred photographs

#### Services

Help desk without updates

For more information, see Reg-1-088 – Software and the Computer Software information guide.

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# Manufacturing Machinery & Equipment (MME)

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MME is exempt (continued)

# Manufacturing Machinery and Equipment (MME) is Exempt:

When the purchaser of qualified equipment is engaged in manufacturing.

 The revenue test for manufacturing activity (See Reg 1-107.02)
 no longer applies per Farmers Cooperative v.
 Nebraska Department of Revenue.

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MME is exempt (continued)

# Manufacturing Machinery and Equipment (MME) is Exempt:

- A Form 13 must be issued to the retailer of the MME.
- The percent of usage test for manufacturing equipment (See Reg 1-107.02)
   no longer applies per Kerford Limestone Co. v. Nebraska Department of Revenue.

The Sales and Use Tax Regulations will be updated to reflect the court decisions referenced above.

Other Tax Information - MME (continued)

#### MME Includes Machinery or Equipment Used for

- Producing, fabricating, assembling, processing, molding, shaping, finishing, refining, or packaging tangible personal property
- Transporting, conveying, handling, or storing the manufactured goods or raw materials
- Maintaining the integrity of the products or unique environmental conditions for the products or MME itself

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more...

Other Tax Information - MME (continued)

#### MME Includes...

- Testing or measuring the product, the manufacturing process, or the quality of the finished products
- Computers, software, and peripheral equipment used to guide, control, operate, or measure the manufacturing process
   Example:

Software used to direct robotic assembly line equipment to move the product down the line.

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more...

Other Tax Information - MME (continued)

#### MME Includes...

- Self-constructed equipment
- Replacement parts
- Repair labor charges

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Other Tax Information- MME (continued)

#### MME Does Not Include...

- Licensable motor vehicles
- Tools powered by hand
- Security equipment
- Safety apparel
- Office equipment
- Repair shop equipment
- Most cleaning equipment
- Equipment used for research and development

# Agricultural Machinery & Equipment

General STX 2014 - 73 Other Tax Information - Ag Machinery and Equipment

# Agricultural Machinery and Equipment

Purchases are exempt if three criteria are met:

- The item is used directly in commercial agriculture;
- The item meets the definition of ag equipment; and
- The purchaser properly completes a Form 13, Section B.

For more information, see <u>Reg-1-094</u> – Ag Machine and Equipment.

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Other Tax Information - Ag Machinery and Equipment (continued)

#### **Commercial Ag includes:**

- Producing food products or other useful and valuable crops; or
- Raising or caring for animals.

Note: The crops or animals can either be sold or used by the farmer/rancher to produce other products for sale.

General STX 2014 - 75 Other Tax Information - Ag Machinery and Equipment (continued)

#### **Commercial Ag Also Includes:**

- Feedlots
- Greenhouses
- Nurseries
- Sod farms
- Tree farms

#### Repair and Replacement Parts for Ag Equip

- Effective October 1, 2014, all repair and replacement parts are exempt if both criteria are met
  - The property repaired is agricultural machinery and equipment
  - The equipment is used in commercial agriculture
- Farmers or ranchers must issue a Form 13, Section B, Category 2 to exempt these sales.
- Repair labor is sales tax exempt

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#### Ag Machinery and Equip (continued)

#### Ag equipment does not include:

- Real estate;
- Licensable motor vehicles, trailers, and semi-trailers;
- Equipment used in processing at a commercial facility;
- Well drilling equipment;
- Office equipment; or
- Other non-qualifying equipment.

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	Ag Machinery and Equip (continued)				
Form 13, Section B					
Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption  • Read instructions or reverse side/see note below RESET FORM  13					
NAME AND MAILING ADDRESS OF PURCHASER	NAME AND MAILING ADDRESS OF SELLER				
Name	Name				
Street or Other Mailing Address	Street or Other Mailing Address				
City State Zip Code	City State Zip Code				
	Thereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason:  Check One Purchase for Resale (Complete Section A)				
SECTION B—Nebraska Exempt Sale Certificate					
The basis for this exemption is exemption category 2 (Insert appropriate category as described on reverse of this form.)  If exemption category 2 or 5 is claimed, enter the following information:  Description of Hom(s) Purchased farm machinery, repair Intended Use of Hom(s) Purchased Commercial agriculture					
and replacement parts					
If exemption categories 3 or 4 are claimed, enter the Nebraska Exemption Certificate number. 05-					
$\label{eq:continuous} If exemption category 6 is claimed, seller must enter the following inf $$ Date of Setter's Original $$ Date$	č				
For more information, so	General STX 2014 - 78				

# Just a Few More Things...

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# Craft Fairs and Similar Events

When sellers make sales at

- Art shows
- · Craft fairs
- Flea markets
- Trade shows

or similar events, they must collect and remit sales tax on the merchandise they sell.

Sales tax must be collected even if the activity is considered a hobby or recreational activity by the IRS.

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#### Craft Fairs

# Collecting Sales Tax at Craft Fairs and Other Events

- All sellers of tangible personal property must have a Nebraska sales tax permit.
- Sellers who only sell tax exempt items are not required to have a permit.
  - o Fruits, vegetables, bakery items
- Sellers must separately state the sales tax on the customer's receipt.
- Sales tax cannot be included in the price.

General STX

#### **Aircraft**

Private or business aircraft ...

- · Purchased in Nebraska
- Or brought into Nebraska within one year.
- Unless a specific exemption applies...

Are subject to Nebraska sales or use tax

The Department verifies that all appropriate sales and use tax have been paid.

- County Assessor
- Federal Aviation Administration (FAA)

If you have additional questions regarding sales and use tax on aircraft, contact Scott Arlt (402)370-3337 or, see Reg-1-067 - Aircraft and Related Services.

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#### **Firearms**

Firearms are subject to Nebraska sales or use tax if purchased...

- Over the counter
- At gun shows
- Or rented at a shooting range

Firearms (continued)

## Using federal firearm dealers to transfer firearms

- If the local dealer collects the purchase amount, both the purchase price and dealer's transfer fee are subject to tax.
- If the local dealer does not collect the purchase amount, and is just merely transferring the firearm, the dealer's transfer fees are not subject to tax.

Note: Use tax is due on the total amount paid for the firearm, if Nebraska sales tax was not collected by the seller.

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Other Tax Information - Records (continued)

# Failure to Keep Records Could Lead to:

- Tax assessments
- License suspension
- License revocation

For more information, see Neb. Rev. Stat. § 77-2705(6)(a)(ii)

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# Purchasing a Business = Buying a Liability?

The buyer can be held liable for taxes due by the previous owner up to the amount of the purchase price, even if a lien has not been recorded.

#### **Protect yourself!**

- Certificate of Clearance:
  - o Buyer or seller requests and receives the certificate in writing.
- o If buyer makes request, seller must sign the form.
- o Request the certificate by filing a Form 36, Tax Clearance Application.
- o Form 36 should be filed at least 15 days prior to closing.
- The Department will:
- Advice whether or not buyer should withhold funds from the purchase amount, including any assumed debt, to cover outstanding tax liability.

For more information see Successor in Interest, § 77-2707 Sales and Use Tax, and Transferee, § 77-27,110 Income Tax Withholding.

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Other Tax Information - Why Would We Contact You?

#### Why Would We Audit You?

- Audit of another taxpayer
- Department staff experiences
- Referrals from outside sources
- o Media
- o Tip line
- o Other government agencies
- Data mining
- o Comparisons with other companies
- $\circ$  Trends, patterns, and relationships
- $\circ \ \text{Industry standards} \\$
- Follow-up audits

Other Tax Information - Records

#### **Records**

- Every seller is required to keep records.
  - o Documents
  - o List of items or services consumed in the business
  - Normal books of account
  - o Receipts showing taxes paid
  - o Resale and exempt sale certificates
  - o Schedules
  - o Working papers used in preparing tax returns

We recommend you retain records for 5 years after a return is filed.

For more information, see <u>Reg-1-008</u> – Records.

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Taxpayer assistance 800-742-7474 revenue.nebraska.gov

Thank you!

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